

Message Text

SECRET

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ACTION NEA-11

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R 111158Z MAY 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8996
INFO AMCONSUL ALEXANDRIA

S E C R E T SECTION 1 OF 2 CAIRO 12671

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E.O. 11652: GDS
TAGS: EFIN, ECON, EG
SUBJ: COMMENT ON KAISOUNI DISMISSAL

REF: CAIRO 12298

1. IN EARLIER MESSAGES WE COMMENTED ON DEPPRIMIN FOR
ECON/FIN AFFAIRS KAISOUNI'S NEAR INDISPENSABILITY TO GOE
AT THIS TIME, AND WE NOTED THAT DECISION TO JETTISON HIM
WOULD NOT BE TAKEN LIGHTLY. WE WERE WRONG. DECISION WAS
TAKEN IN THAT VEIN, OR AT LEAST KAISOUNI'S DEPARTURE,
WE HEAR, RESULTED LARGELY FROM PM SALEM'S DESIRE TO RID
HIMSELF OF RIVAL FOR POWER (I.E., RIVAL FOR ACCESS TO
PRESIDENT'S EAR, NOT RIVAL FOR PM POST.) SALEM REPORTEDLY
LONG HAS BEEN UNEASY WITH IMPORTANCE OF KAISOUNI'S ROLE
IN GOVERNMENT CIRCLES. KAISOUNI PLAYED INTO PM'S HANDS
WITH HIS TENDERED RESIGNATION, WHICH WAS NOT HIS FIRST
DURING HIS TENURE IN OFFICE, STILL BEING OUTSTANDING AT
TIME OF CABINET CHANGE. WHILE FORMER DEPPRIMIN HAS NOT
OPENLY BEEN MADE SCAPEGOAT FOR ANYTHING, AMOUNT OF PA AND
CABINET LEADERSHIP CRITICISM AGAINST HIM AND HIS REFORMIST
POLICIES PROBABLY ALSO WEIGHED IN BALANCE AGAINST HIS

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CONTINUATION IN CABINET DURING SALEM-SADAT CONSULTATIONS
ON RESHUFFLE. FINALLY, KAISOUNI REPORTEDLY WAS LESS
THAN ENTHUSIASTIC, IN PRINT, ABOUT SADAT-INSPIRED GREEN
REVOLUTION. HIS PRESTIGE AND FAVOR IN EYES OF DONORS
WAS RECOGNIZED, BUT EVIDENTLY WAS NOT CONSIDERED SUFFI-
CIENTLY IMPERATIVE BY PM (AND PRESIDENT) TO WARRANT HIS
STAYING ON AS DEPUTY PRIMIN.

2. SO, GOE IS FACED WITH IMF NEGOTIATIONS AND IBRD CONSULTATIVE GROUP MEETING IN IMMEDIATE FUTURE SANS KAISSOUNI AND HIS PERSONAL REPUTATION. DAY-TO-DAY POLICY CONTINUITY, COORDINATION AND IMPLEMENTATION WILL BE FOCUSED HENCEFORTH PRIMARILY IN PERSON OF MINECON EL SAYEH, WITH ASSISTS FROM OTHER ECONOMIC GROUP SURVIVORS, NOTABLY MINFIN HAMED. (PM SALEM, TOO, HAS EXPRESSED INTENTION TO FURNISH DIRECT GUIDANCE NOW THAT ECONOMIC DEPPRIMIN HAS BEEN REMOVED.) CASE CAN BE MADE THAT RETENTION OF EL SAYEH AND COMPANY-- AND THEIR AGREEMENT TO SERVE, EVEN WITHOUT KAISSOUNI-- DOES INDEED REFLECT GOE'S COMMITMENT AT HIGHEST LEVELS TO CONTINUE ALONG POLICY TRACK CURRENTLY BEING FOLLOWED. THIS WE BELIEVE TO BE PROBABLE. QUESTIONS ARISE, HOWEVER, ON EFFECTIVENESS OF POLICY IMPLEMENTATION WITHOUT HEAVY-WEIGHT DEPPRIMIN AND ON FOREIGN DONOR OPINIONS IN THIS REGARD, NOT TO MENTION THEIR VIEWS ON CREDIBILITY OF GOE ECONOMIC STATEMENTS DELIVERED BY OTHER THAN KAISSOUNI IN ALL-IMPORTANT IMF AND CG CONTEXTS. NO ONE ELSE IN GOE, REGARDLESS OF CREDENTIALS, CAN FILL KAISSOUNI'S SHOES AT THIS TIME. HIS 18 MONTHS IN OFFICE SAW CONSIDERABLE STORE OF CONFIDENCE IN HIM BUILT UP WITH WORLD FINANCIAL COMMUNITY WHICH IS NOW DISSIPATED AS CONSEQUENCE OF HIS, IN EFFECT, FIRING. TOP GOE LEADERSHIP OBVIOUSLY DID NOT CONSIDER THIS OVERRIDINGLY IMPORTANT FACTOR AT THIS JUNCTURE AND IS RELYING ON CONTINUITY

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ASPECT OF ECONOMIC GROUP MINISTERS TO CARRY THE DAY WITH DONORS AND CREDITORS.

3. WE DISAGREE--PRIVATELY, OF COURSE--WITH GOE'S ASSESSMENT. GIVEN THAT NOBODY IS INDISPENSABLE, KAISSOUNI REPUTATION NONETHELESS WAS IMPORTANT EGYPTIAN ASSET IN INTERNATIONAL FINANCIAL DEALINGS, ASSET WHICH HAS NOW BEEN THROWN AWAY TO NO VERY GOOD PURPOSE. ALL IS WELL AND GOOD FOR CG MEETING PURPOSES AT PARIS IF HE IS NAMED DELEGATION HEAD ON ONE-TIME BASIS AFTER ALL, AS HAS BEEN SUGGESTED AS POSSIBLE, BUT GOE SURELY WILL MISS GENERAL AURA OF PROBITY IN ECONOMIC FIELD PROJECTED BY KAISSOUNI. EL SAYEH ET AL ARE NOT, AT LEAST NOT YET, OF SAME STATURE DOMESTICALLY OR IN EYES OF FOREIGN DONORS AND CREDITORS, AND SALEM IS NO ONE'S BEAU IDEAL OF A DEVELOPMENT ECONOMIST.

4. LOSS OF ECONOMIC COORDINATOR AT DEPPRIMIN LEVEL MAY HAVE EVEN MORE DELETERIOUS CONSEQUENCES FOR GOE MANAGEMENT OF ITS POLICY AIMS. EL SAYEH WILL BE EXPECTED TO RUN THINGS AND HAS BEEN NAMED HEAD OF CABINET-LEVEL ECONOMIC COMMITTEE, ONE OF SEVEN APPOINTED IN NEWLY-

CONSTITUTED RESHUFFLED CABINET. EVEN KAISOONI, HOWEVER, WITH HIS PERSONAL PRESTIGE AND EXALTED TITLE HAD A HARD TIME COORDINATING MUCH OF ANYTHING BEYOND MINISTRIES OF ECONOMY, FINANCE AND PLANNING DIRECTLY UNDER HIS THUMB. ACTIVITIES OF SEVERAL OTHER MINISTRIES DIRECTLY AFFECT ECONOMIC POLICIES; INCLUDED AMONG THESE ARE TRADE, SUPPLY, ELECTRIC POWER, WAR (WITH ITS INDUSTRIAL PRODUCTION), INDUSTRY, PETROLEUM, AGRICULTURE, ETC. ONLY ONE OF THESE-- COMBINED TRADE/SUPPLY MINISTRY--EVEN REPORTED TO KAISOONI AS PART OF ECONOMIC GROUP. NOW AUTHORITY AND RESPONSIBILITY ARE FURTHER DIFFUSED. EL SAYEH WILL HAVE EXTREME

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DIFFICULTY IN MOLDING POLICY BEYOND HIS OWN DEPARTMENT AND PERHAPS MINFIN. SUCH COORDINATION AS WILL BE FEASIBLE MUST NOW COME FROM ON HIGH. SALEM THUS EVIDENTLY WILL BE REQUIRED TO ACT AS ECONOMIC CZAR, A ROLE HE HAS CLAIMED IN PAST, IF ANYONE IS TO DO SO. (HE HAS NAMED HIMSELF TO CHAIR NEW CABINET-LEVEL HIGHER COMMITTEE FOR POLITICAL AND ECONOMIC PLANNING.)

5. OUR EARLY ASSESSMENT OF CABINET MIN-RESHUFFLE THUS IS THAT ECONOMIC SIDE OF GOE HOUSE HAS DEFINITELY BEEN WEAKENED, ALTHOUGH LITTLE ELSE IS CHANGED IN CABINET. WHILE THERE ARE NO RPT NO SIGNS OF SHIFTS IN POLICY DIRECTION, AND WHILE GENERALLY COMPETENT ECONOMIC MINISTERS REMAIN WITH ROUGHLY SAME PORTFOLIOS, VIRTUALLY GRATUITOUS DISMISSAL OF KAISOONI DEPRIVES GOE OF A LEADING ECONOMIC FIGURE AT A CRUCIAL TIME OF INTERNATIONAL NEGOTIATIONS AND STRIPS GOVERNMENT OF SUCH ECONOMIC POLICY COORDINATION CAPACITY AS IT HAS HAD OVER PAST 18 MONTHS. MUCH

RESPONSIBILITY IN EFFECT HAS BEEN ASSUMED BY PRIME
MINISTER, NOW THAT HE HAS SUCCEEDED IN OUSTING KAISOUNI,
TO PROVIDE GUIDANCE IN ECONOMIC SPHERE. HE MAY MEAN WELL,
BUT WE ARE DOUBTFUL THAT HE IS MAN FOR THAT JOB. EILTS

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